

Policy Number: FD0504362



#### AFTER HOURS TRADING EXCLUSION

Insurers shall not be liable to make any payment in connection with any Claim (for purposes of this endorsement, to include any civil, criminal or regulatory investigation) based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving, Late Trading or Market Timing in the trading of mutual fund shares.

For the purposes of this endorsement, Late Trading shall mean:

- (1) placing orders to buy or sell mutual fund shares after the close of a trading day, but receiving the price based on the mutual fund's Net Asset Value for that day of trading; or
- (2) violations of laws, rules or regulations relating to the rules of forward pricing; or
- (3) allegations that after the close of trading, hedge funds or other investors were allowed to cancel orders of mutual fund shares or securities that were made prior to the close of trading; or
- (4) the types of late trading practices described in the 3<sup>rd</sup> September 2003 complaint filed by the New York Attorney General in the action styled State of New York v. Canary Capital Partners, LLC et al.,

For the purposes of this endorsement, Market Timing shall mean:

- (1) intentionally permitting Short-Term Trading of mutual fund shares; or
- (2) written or oral representations regarding the use of Short-Term trading or timing trading techniques in a mutual fund's shares, or written or oral representations regarding the mutual fund's efforts to monitor or prevent Short-Term Trading or timing trading in its shares; or
- (3) the receipt of fees or other compensation in exchange for trading privileges not available to other investors in mutual fund shares; or
- (4) the types of late trading practices described in the 3<sup>rd</sup> September 2003 complaint filed by the New York Attorney General in the action styled State of New York v. Canary Capital Partners, LLC et al., Supreme Court of the State of New York.

For the purposes of this endorsement, Short Term Trading shall mean selling or exchanging shares in a mutual fund less than 60 days after its purchase, or any other period of time greater than 60 days if so described by the mutual fund as Short-term Trading.

Policy Number: FD0504362



#### LADDERING EXCLUSION

In consideration of the premium charged for this Policy, it is hereby understood and agreed that Section 4, Exclusions, is amended to add the following:

- y) based upon, arising out of, directly or indirectly from or in consequence of, or in any way involving any actual or alleged:
  - 1) solicitation or receipt of any excessive, additional, undisclosed, improper or illegal compensation relating to an Offering, or Compensation greater than that disclosed in the prospectus or registration statement relating to the Offering;
  - 2) improper solicitations or agreements, whether express or implied, relating to any Offering, including, but not limited to solicitations or tie-in agreements to purchase: (i) additional shares of a company's stock at pre-determined prices; or (ii) shares of another corporation's stock; or
  - 3) violation of regulations S, K or M of the Securities Exchange Commission, or Conduct Rules 2110 and 2440 of the National Association of Securities Dealers.

For the purpose of this Endorsement, the term "Compensation" shall mean any commission, payments, fees, compensation or any other type of remuneration. "Compensation" shall also mean kickback's, bribes or any other similar type of payments.

All other terms and conditions remain unchanged.

Policy Number: FD0504362



**DISCOVERY AMENDED  
BILATERAL - ONE YEAR PRESSET**

In consideration of the premium charged, it is hereby understood and agreed that the policy (and any endorsement amending Clause 10. DISCOVERY CLAUSE) is hereby amended to the extent necessary for the policy to provide the following:

**Clause 10. DISCOVERY CLAUSE, is deleted in its entirety and replaced with the following:**

**10. DISCOVERY CLAUSE**

Except as indicated below, if the Named Entity shall cancel or the Named Entity or the Insurer shall refuse to renew this policy, the Named Entity shall have the right to a period of either one, two or three years following the effective date of such cancellation or nonrenewal upon payment of the respective "Additional Premium Amount" described below (herein referred to as the "Discovery Period") in which to give to the Insurer written notice of Claims first made against the Insureds during said Discovery Period for any Wrongful Act occurring prior to the end of the Policy Period and otherwise covered by this policy. The rights contained in this paragraph shall terminate, however, unless written notice of such election together with the additional premium due is received by the Insurer within 30 days of the effective date of cancellation or nonrenewal. The Additional Premium for the Discovery Period shall be fully earned at the Inception of the Discovery Period. The Discovery Period is not cancelable. This clause and the rights contained herein shall not apply to any cancellation resulting from non-payment of premium.

The Additional Premium Amount for: (1) one year shall be 125% of the "Full Annual Premium". As used herein, "Full Annual Premium" means the premium level in effect immediately prior to the end of the Policy Period.

In the event of a Transaction, as defined in Clause 12, the Named Entity shall have the right, within 30 days before the end of the Policy Period, to request an offer from the Insurer of a Discovery Period (with respect to Wrongful Acts occurring prior to the effective time of the Transaction) for a period of no less than three years or for such longer or shorter period as the Named Entity may request. The Insurer shall offer such Discovery Period pursuant to such terms, conditions and premium as the Insurer may reasonably decide. In the event of a Transaction, the right to a Discovery Period shall not otherwise exist except as indicated in this paragraph.

**ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.**

Policy Number: FD0504362

***Signing Schedule*****SECURITIES BROKER/DEALER'S PROFESSIONAL LIABILITY INSURANCE**

Placed With:

50.0000% CERTAIN UNDERWRITERS AT LLOYD'S  
 (as attached schedule)  
 50.0000% LEXINGTON INSURANCE COMPANY

---

100.0000% Order Hereon

**Schedule of Lloyd's Underwriters**

<u>Share</u>	<u>Pseudonym</u>	<u>Syndicate No</u>
50.0000% BRT HEAD OFFICE ADDRESS: BRIT SYNDICATES LIMITED, 2ND FLOOR, 55, BISHOPSGATE, LONDON, EC2N 3AS		2987
<hr/>		
50.0000% Order Hereon		

**Duty to disclose Material Information:**

Material Information is information that would influence an insurer in deciding whether a risk is acceptable and, if so, the premium, terms and conditions to be applied. Failure to disclose such information could result in the policy being rendered void so that *claims would not be paid*.

The duty of disclosure is re-imposed when there are changes or variations in cover and when the policy is renewed or extended. In addition, changes which substantially increase the risk, or relate to compliance with a warranty or condition in the policy must be notified at once.

***To ensure that cover is not prejudiced, please refer to Aon if there is any doubt as to what information needs to be disclosed.***

**POLICY No:**

**SF403040X**

**302 SWI**

## **SWINGLEHURST LIMITED**

**(IN ASSOCIATION WITH SAFEONLINE LTD)**

**FOR LPSO USE:**

**FOR ILU USE:**

**FOR IUA USE:**

**302 SWI**

**Swinglehurst Limited**  
(in association with Safeonline Ltd)  
Policy No.SF403040X

**0302 SWI**

Risk Details

**TYPE:** Security Broker/Dealer Errors and Omissions  
Insurance - Claims Made basis

**FORM:** NMA2421

**INSURED:** Sterling Financial Investment Group, Inc

**PRINCIPAL ADDRESS:** 225 N.E. Mizner Blvd.,  
Suite 400,  
Boca Raton,  
Florida,  
33432,  
USA

**PERIOD:** From: 9<sup>th</sup> May, 2004  
To: 9<sup>th</sup> May, 2005  
Both days at 12.01a.m. Local Standard Time

**INTEREST:** Security Broker/Dealers Errors and Omissions  
Insurance

**LIMIT OF LIABILITY:** USD1,000,000 any one loss / USD2,000,000 in the  
aggregate  
Excess of  
USD100,000 each and every claim

**TERRITORIAL LIMITS:** Worldwide

**CONDITIONS:**

- 1) Wording based on AIG Securities  
Broker/Dealer's Professional Liability  
Insurance (67801 (3/97))
- 2) NMA1256 Nuclear Incident Exclusion Clause
- 3) NMA1477 Radioactive Contamination  
Exclusion Clause

*SL*  
302 SWI

*[Signature]*

Swinglehurst Limited  
(in association with Safeonline Ltd)  
Policy No.SF403040X

0302 SWI

- 4) NMA2918 War and Terrorism Exclusion Clause. However, terrorism cover as provided by the Terrorism Risk Insurance Act 2002 (TRIA) is available at 7.5% additional Premium. Under Federal law the United States reimburses 90% of covered terrorism losses exceeding the statutorily established deductible paid by Underwriters. The premium charged for this coverage is provided below and does not include any charges for the portion of loss covered by the Federal Government under the TRIA. Declaration to be completed by the assured
- 5) NMA1998 Service of Suit Clause naming: Sedgwick Detert Moran & Arnold, New York, NY
- 6) Notice of Claim to: Frank Crystal & Co., Inc., 40 Broad Street, New York, NY 10004
- 7) Notice of Election of Discovery to: Frank Crystal & Co., Inc., 40 Broad Street, New York, NY 10004
- 8) Retroactive Date: 30<sup>th</sup> May, 1997
- 9) Failure to Maintain Insurance Endorsement
- 10) Market Fluctuation Clause (BRIT Version #2)
- 11) Section 10. - Extended Discovery - amended to 365 days at 125% - unilateral
- 12) Coinsurance percentage - Nil
- 13) Change in Control of Broker/Dealer - Discovery amended to read "one year"
- 14) Laddering Exclusion
- 15) Non-Licensed Business Activity Exclusion
- 16) Asbestos, Lead & Toxic Mold Exclusion
- 17) Intentional Corporate Acts Exclusion
- 18) Registered Investment Advisory Endorsement (for Approved Activities)
- 19) Short Covered Call Options (AIG language)
- 20) Excessive Fees Exclusion
- 21) 'After Hours Trading' Exclusion
- 22) Application form dated : 28<sup>th</sup> April, 2004
- 23) Specific Representative Exclusion (wording to be agreed)
- 24) No account taken of 'Charles and Donna Gerard' and 'Dionys Brunner' matters

*[Signature]* 302 SWI

*[Signature]*

JUN 10 2004 14:02 FR LEXI TON INSURANCE 617 439 4733 TO 1442072643060 P.05

**Swinglehurst Limited**  
 (in association with Safeonline Ltd)

**0302 SWI**

Policy No. SF403040X

**EXPRESS WARRANTIES:** Not applicable**CONDITIONS PRECEDENT:** Not applicable**SEVERAL LIABILITY:** **SEVERAL LIABILITY NOTICE**

The subscribing insurers' obligations under contracts of insurance to which they subscribe are several and not joint and are limited solely to the extent of their individual subscriptions. The subscribing insurers are not responsible for the subscription of any co-subscribing insurer who for any reason does not satisfy all or part of its obligations.

LSW1001 (Insurance) 08/94

**CHOICE OF LAW & JURISDICTION:**Law: Worldwide  
Jurisdiction: Worldwide**PREMIUM:**

USD245,000

9.6.04

**BROKERAGE:**

20.00%

**PAYMENT TERMS:**

BRIT Premium Payment Warranty (45 days)

**OTHER DEDUCTIONS FROM PREMIUM:**

Not applicable.

Open 37.50  
\*375,000**TAXES PAYABLE BY INSURED:**

Not applicable

Lepington Insurance Co.  
10/6/04  
James C. Lord, Jr.**RECORDING, TRANSMITTING & STORING INFORMATION:**

As on file with Swinglehurst Limited

302 SWI

Swinglehurst Limited  
(in association with Safeonline Ltd)  
Policy No.SF403040X

0302 SWI

Subscription Agreement

SLIP LEADER:

BRT 2987

OTHER AGREEMENT  
PARTIES FOR CONTRACT  
CHANGES, IF ANY:

Not applicable

BASIS OF AGREEMENT  
TO CONTRACT CHANGES: GUA (October 2001) with Non Marine Schedule  
(October 2001)

DOCUMENT PRODUCTION: Broker to produce policy wording for Slip Leader's  
Agreement, approval or comments.

CLAIMS AGREEMENT  
PARTIES:

Lloyd's syndicate BRT 2987  
Xchanging Claims Services Ltd.

or

Lloyd's syndicate BRT 2987  
Xchanging Ins-sure Services Ltd (non peer review)

BASIS OF CLAIMS  
AGREEMENT:

Claims to be managed in accordance with the  
Lloyd's 1999 Claims Scheme and IUA claims  
Agreement practices.

Where placement is 100% BRT lead, claims to be  
managed by BRT 2987 with Xchanging Ins-  
sure Services Ltd processing only (non peer  
review).

CLAIMS ADMINISTRATION: In accordance with the Lloyd's 1999 Claims  
Scheme and IUA claims agreement practices.

RULES AND EXTENT  
OF DELEGATED AUTHORITY: None.

EXPERT(S) FEES: Lloyd's Broker to collect fees.

302 SWI

**Swinglehurst Limited**  
**(in association with Safeonline Ltd)**

**0302 SWI**

Policy No.SF403040X

BUREAUX ARRANGEMENTS: To be presented by Lloyd's Broker to Ins-sure

SIGNING PROVISIONS: Not applicable

Information

None

Fiscal and Regulatory

TAX PAYABLE BY  
UNDERWRITER(S):

US CLASSIFICATION:

Surplus lines broker:  
Frank Crystal & Co., Inc  
40 Broad Street,  
New York,  
New York,  
10004

State of Filing : Florida

NAIC CODES:

Not applicable

ALLOCATION OF PREMIUM  
TO CODING

Not applicable

302 SWI

*[Signature]*

*[Signature]*